

Finance Ministry Cancels Eurobond Tax

By [The Moscow Times](#)

February 21, 2012

The  **Moscow Times**

Russia is scrapping plans to collect tax on corporate eurobonds placed before Jan. 1, 2013, following a storm of protest from major Russian companies and banks, who warned that the move threatened seriously to dent fragile investor confidence.

The Finance Ministry said late on Monday that it is dropping the idea and may apply only a partial levy to papers issued from next January onward.

The ministry's statement provides reassurance to international bondholders of Russian companies, who faced the prospect of significant losses if issuers had redeemed their bonds at par in response to the ministry's earlier proposal to withhold 20 percent profit tax on interest payments at source.

"The Finance Ministry is treating investors in the right way — it's an investor-friendly decision — and in this respect it's a positive outcome," said Yelena Kolchina, fund manager of the Renaissance Russian Debt Fund in Moscow.

"The immediate source of investor concern appears to have been removed," said Mikhail Galkin, a fixed income analyst at VTB Capital.

"From an investor standpoint that was the only risk: There was no risk of suffering from the tax — there was a risk of high-cash-price bonds being redeemed early at par," he said.

Some of Russia's biggest corporate borrowers, including top gas producer Gazprom and its second-largest state bank VTB, had been facing large bills in relation to existing bond programs.

Original url:

<https://www.themoscowtimes.com/2012/02/21/finance-ministry-cancels-eurobond-tax-a12802>